

# **CHAPTER 4**

## **LOAN OFFICER'S REPORT**

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#### **INTRODUCTION**

The loan officer's report should present all the information and facts necessary for SBA to make a credit decision on your request for guaranty. It should be very detailed and in-depth. If properly prepared, it will enable SBA to give a credit decision in a more responsive and timely manner. Instructions for completing the report begin on the following page. After the instructions you will find a copy of the Report in the form of an Excel spreadsheet. You may use your own format; however, you still must cover all the same information that is included in our report.

**The Excel spreadsheet format is available from the North Florida District Office. To print the document, go to "tools" and then "print options" rather than the normal print procedures.**

## LOAN OFFICER REPORT INSTRUCTIONS

**NAME OF APPLICANT:** Describe who the borrower(s) will be. If sole proprietorship, provide the name of the individual followed by dba. If partnership, provide name of partners or partnership followed by dba (if applicable). If corporation, provide corporate name followed by dba (if applicable). If eligible passive company, provide names of operating entity and asset owner(s), as co-borrowers. If stock purchase, provide name of stock purchaser (whatever legal entity it is) and name of the corporation being acquired, followed by dba (if applicable), as joint borrowers.

**ADDRESS:** State the address where the business is located OR if it is relocating, the address of the new location.

**PHONE:** Phone number of the applicant business.

**LENDER:** Name of institution, name of loan officer, and phone number of loan officer.

**TYPE OF BUSINESS:** Describe applicant's primary industry.

**NAICS CODE:** State code as indicated for primary industry in the North American Industry Classification System manual (see Chapter 1 for discussion of NAICS codes).

**YEAR ESTABLISHED:** State year in which business was first established. If legal status has changed (i.e. sole proprietor to corporation), state date the business was originally established as a sole proprietor.

**EMPLOYER TAX ID NUMBER:** EIN assigned by the Internal Revenue Service.

**POLICY SIZE LIMIT:** Refer to the SBA's size standards at [www.sba.gov/size](http://www.sba.gov/size) to determine the size standard for the applicant business.

**APPLICANT SIZE:** If size standard for applicant's business is by number of employees, provide average number of employees over the last calendar year OR if it is by \$, provide average of last 3 years sales.

**CREDIT ELSEWHERE CONSIDERED:** State "Memo in lender file" if you have considered credit elsewhere and have documented your file.

**CHANGE OF OWNERSHIP:** If purchasing an existing business OR if change of ownership is involved, provide justification for change and the sales price of the business. (Show calculations to justify sales price using one of the formulas for evaluation provided in Chapter 2). State if it is a stock purchase or asset purchase. If it is just an asset purchase, include information (i.e. book value, appraisal, et al) as to how the purchase price of the asset was determined. State the relationship between the buyer and seller. If close family members, refer to Chapter 1 for additional documentation required.

**AFFILIATES:** Discuss whether or not the business has any affiliates (Chapter 1 discussion on determining affiliations), who the affiliate(s) is/are, and describe relationship. Use "Affiliate Size Standard Calculations" form provided in the Loan Officer Report format to determine consolidated size standard.

**ELIGIBLE PASSIVE COMPANY:** Describe ownership of both the EPC (real estate/asset owner) and the operating entity (see Chapter 1 for a discussion of EPC).

**DEBT REPAYMENT:** If debt refinancing is involved, describe in detail. State how the refinancing will benefit the Borrower and how it meets SBA's 20% refinancing rule ((see Chapter 2).

**FRANCHISE:** State name of franchisor and whether FTC disclosure and franchise agreement have been submitted for SBA's review (see Chapter 1). Give general information about franchisor. Call at least two or three existing franchisees for their opinion/level of satisfaction with franchisor and provide documentation as to the details of those conversations.

(NOTE: The above also applies to licensing, distributorship, or membership agreements.)

**NEED/PURPOSE OF LOAN:** Detail how the loan proceeds are to be utilized. Be specific -- do not just lump everything into "working capital". Provide details as to how working capital will be used. (See Chapters 1 and 2 for ineligible and eligible uses of loan proceeds.)

**TERM:** See Chapter 2 for calculation of term and maximum maturities allowed.

**EQUITY INJECTION:** Itemize owner's injection and the source of the funds, particularly if the loan is for a start-up business or purchase of an existing business.

**CREDIT REPORTS:** Individual reports should be obtained for each proprietor, partner, 20% or more stockholder & guarantors.

**D&B** (or other similar business report) should be obtained for corporations and franchisors (if Lender has access to such reports). Any derogatory information must be explained and justified. (If bankruptcy or pending litigation, see Chapter 1).

The **BALANCE SHEET ANALYSIS AND COMMENTS** should be based on the **proforma** balance sheet (see examples of proformas in Chapter 2).

**PROFORMA:** If the interim column is used, the # days must be filled in or all ratios will be skewed. Total of debit column must equal total of credit column.

**BALANCE SHEET ADJUSTMENTS/COMMENTS:** Describe in detail the adjustments that were made on the proforma.

**CASH FLOW/DEBT COVERAGE:** Show calculations for historical and projected cash flow. (Make sure compensation of proprietor, partner, or officer has been considered.) Is it adequate to service ALL proforma debt?

**BREAKEVEN:** Calculate breakeven (Chapter 2 for formula). Are historical or projected sales sufficient?

**PROFORMA SCHEDULE OF FIXED OBLIGATIONS:** Proforma debts should include all debts reflected on the proforma balance sheet as well as any lease or other payments which are not reflected either in projected expenses or liability sections. Payments should include principal and interest.

**REPAYMENT ABILITY:** Check credit reports for any liabilities which may have been omitted from the business or individual's personal financial statements. When determining repayment ability, also consider the personal debt service of the proprietor, partner or corporate officer. Itemize their income and debt service requirement. Is proposed salary/withdrawal from business adequate to service personal debts? As a general rule, fixed debt payments (plus rent payment if no mortgage) should not exceed 40-45% of gross income.

**FRANCHISE (WAIVER OF ROYALTIES):** Is franchisor going to be willing to sign SBA's royalty waiver? If not, provide explanation/justification.

**RATIO ANALYSIS:** Compare ratios to RMA industry averages for same NAICS/SIC. Discuss whether in line with RMA and explain any sizeable differences.

**NET WORTH ANALYSIS:** Discuss reconciliation of net worth addressing the components of equity such as stock, paid-in capital, retained earnings, dividends paid and withdrawals. Year End net worth balance should be carried forward as the next period's beginning net worth. Explain any variances.

**WORKING CAPITAL ANALYSIS:** Show calculation based on working capital formula provided (see Chapter 2 for acceptable alternate methods). Discuss adequacy of the available working capital. If the formula does not "fit" the particular business you are evaluating, then provide justification as to how you made the determination that working capital is adequate.

**COLLATERAL:** Detail who owns the collateral being pledged, list the street address for any real estate, provide identification numbers for motor vehicles or other similar properties, and itemize prior liens (including name of creditor, original amount of debt, and current balance of debt).

**CALCULATE LIQUIDATION VALUE** based on % as stated on Loan Officer's Report format (% may be adjusted up or down on a case-by-case basis). Discuss adequacy of collateral. Explain the basis for your conclusions. (See Chapter 2 for comments on when personal collateral must be pledged.)

**APPRAISAL:** Detail date of appraisal and who performed it (qualifications of appraiser must be included in the appraisal). If it is more than one year old, an updated appraisal may be required. If the appraisal discloses that there is "excess" land, provide justification. If appraisal has not been included in the application package, state "required in authorization".

**ENVIRONMENTAL:** Detail date of environmental questionnaire/Phase I audit/Phase II audit, who performed it (qualifications of assessor must be included in the questionnaire and/or audit), and its findings or conclusion. (See Chapter 2 for more details on environmental requirements.)

**LEASED PROPERTY:** Detail street address(es) of ALL leased location(s). Discuss terms of lease(s) and renewal options available. State whether or not term(s), including options, will cover the proposed term of the loan. Term of lease(s) should be as long as the loan term. If it does not, explain and provide justification as to why this is acceptable. (Is location an important factor for this business?) State whether an assignment of lease will be required or whether a lessor's agreement only will be required. Please specify number of days to be required in lessor's agreement for notice of default (generally, 60 days will be input unless you specify a lesser number).

**DISABILITY INSURANCE:** Discuss the necessity for/lack of disability insurance.

**LIFE INSURANCE:** State names of those principals upon which life insurance will be required and the amount of insurance to be required on each. If there is no insurance or insurance is less than the loan amount is being required, provide justification.

**GUARANTORS:** List guarantors and specify whether secured/unsecured.

**PERSONAL RESOURCES:** Comment on liquid assets held by each proprietor, general partner, limited partner owning 20% or more of the business and each stockholder owning 20% or more. If applicant has unencumbered real estate that is not going to be injected or pledged, detailed justification **MUST** be provided as to why it should not be required. Make a statement that excess personal resources do not exceed allowable amounts (see Chapter 1).

If there are any **OTHER COMMENTS OR CONDITIONS** (such as the following), they may be discussed on an **ADDENDUM** to the Loan Officer's Report.

**STANDBY AGREEMENTS:** State who the standby creditor is and the present balance of the debt. Also, state standby conditions (i.e. no interest or principal payments allowed, interest only @ \_\_\_\_\_% allowed, principal payments of \$\_\_\_\_\_ allowed but no interest, principal and interest payments allowed so long as SBA loan is not in default, et al). Justify conditions.

**FINANCIAL STATEMENTS:** State your requirement for frequency of receipt of financial statements, type statement to be required (i.e. in-house, CPA prepared/reviewed/audited, et al). Will annual tax returns be required and from whom?

**OCCUPANCY:** Discuss use of property to be purchased or constructed if subject business will not occupy 100% of the square footage. (See Chapter 1 for discussion on allowable leased space.)

**OTHER:** Make any additional comments that are necessary to clarify any issues related to the application package OR any additional conditions to be required in the Loan Authorization (i.e. salary limitations, any special construction loan requirements, change of residency requirement, et al).

**LOAN OFFICER'S REPORT**  
Loan Summary and Lender's Analysis

Name of Applicant: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Lender: \_\_\_\_\_

Type of Business: \_\_\_\_\_

NAICS Code: \_\_\_\_\_ Year Established: \_\_\_\_\_ Employer Tax Id Number: \_\_\_\_\_

Amount of Loan Request: \_\_\_\_\_ % of SBA Guaranty: \_\_\_\_\_

Guaranteed Amount: \$0

Requested Loan Term: \_\_\_\_\_ years Variable Basis: Prime+ \_\_\_\_\_ Initial Rate: \_\_\_\_\_

Rate Adjustment Period: \_\_\_\_\_ Monthly Loan Payment: \_\_\_\_\_

Guarantee Fee: \$0.00 Annual Debt Service \$0

SBA Loan Class: \_\_\_\_\_ International Trade Loan (IT) Y or N

Eligibility: Rural Y or N Involved in Exporting Y or N

Policy Size Limit: \_\_\_\_\_ Applicant Size: \_\_\_\_\_

**Credit Elsewhere Considered**

Change of Ownership: (If yes, explain) \_\_\_\_\_

Affiliates: (If yes, names) ("Affiliate Size Standard Calculations" form attached) \_\_\_\_\_

Eligible Passive Company: (If yes, describe) \_\_\_\_\_

Debt Repayment: (If yes, amount and justification) \_\_\_\_\_

Existing SBA Balance: \_\_\_\_\_ Original Amt: \_\_\_\_\_ Status: \_\_\_\_\_

Lender: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

SBA Servicing Experience w/ Bank: \_\_\_\_\_

**Business Background and Nature of Operations:** \_\_\_\_\_

**Sale of Product or Service to Exporter:** \_\_\_\_\_

**Franchise:** \_\_\_\_\_



Management's Experience and Qualifications: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

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Need (Purpose) for Loan: \_\_\_\_\_

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Term:	Use of Proceeds:	Loan:	Borrower:	Total Cost:
_____	Purchase of Land and Building	\$ _____	_____	0
_____	Expansion of Building	_____	_____	0
_____	Leasehold Improvements	_____	_____	0
_____	Purchase of Machinery/Equipment	_____	_____	0
_____	Purchase of Furniture/Fixtures	_____	_____	0
_____	Debt Refinance	_____	_____	0
_____	Payment of Accounts Payable	_____	_____	0
_____	Purchase of Inventory	_____	_____	0
_____	Cash - Working Capital	_____	_____	0
_____	Other: Closing Costs	_____	_____	0

Blended Term: #DIV/0!

**TOTAL REQUESTED LOAN AMOUNT:** \$ \_\_\_\_\_ 0

Req. Maturity: \_\_\_\_\_ years

**TOTAL COST: \$** \_\_\_\_\_ 0

SBA Guaranty Percentage \_\_\_\_\_ (attach calculation)

Source of Borrower Funds: \_\_\_\_\_

**Credit Reports:**

Personal: Date: \_\_\_\_\_ Source: \_\_\_\_\_ Rating: \_\_\_\_\_ Student Loans \_\_\_\_\_

Comments: \_\_\_\_\_

\_\_\_\_\_

Business: Date: \_\_\_\_\_ Source: \_\_\_\_\_ Rating: \_\_\_\_\_ Bankruptcy/Litigation \_\_\_\_\_

Comments: \_\_\_\_\_

\_\_\_\_\_

Franchise: Date: \_\_\_\_\_ Source: \_\_\_\_\_ Rating: \_\_\_\_\_

\_\_\_\_\_





RATIOS	YearEnd	YearEnd	YearEnd	Interim	ProForm	RMA
Current Ratio	0.00	0.00	0.00	0.00	0.00	
Quick Ratio	0.00	0.00	0.00	0.00	0.00	
Receivable T/O (days)	0.00	0.00	0.00	0.00	0.00	
Inventory T/O (days)	0.00	0.00	0.00	0.00	0.00	
Payable T/O (days)	0.00	0.00	0.00	0.00	0.00	
Fixed Assets / Worth	0.00	0.00	0.00	0.00	0.00	
Debt / Worth	0.00	0.00	0.00	0.00	0.00	
Sales/Working Capital	0.00	0.00	0.00	0.00	0.00	
Sales / Total Assets	0.00	0.00	0.00	0.00	0.00	
Gross Profit	0.00%	0.00%	0.00%	0.00%	0.00%	
Net Profit	0.00%	0.00%	0.00%	0.00%	0.00%	

Ratio Analysis:

WORTH RECONCILIATION	YearEnd	YearEnd	Interim	
Beginning Net Worth	0	0	0	
C/P Stock Issues	0	0	0	
Add Paid-In Cap	0	0	0	
Net Income	0	0	0	
C/P Cash Dividends(-)				
Adjustments to RE (-)				
Accounting Change (-)				
NET WORTH BALANCE	0	0	0	

Net Worth Analysis:



**Working Capital Analysis: (show calculation)**

## STEP

1	CGS% X ITO (IN DAYS)	1	X	0	=	0
2	#1 + ARTO(IN DAYS)	0	+	0	=	0
3	CGS% X APTO (IN DAYS)	1	X	0	=	0
4	#2-#3	0	-	0	=	0
3	SALES / 365	0	/	365	=	0
4	#5 X #4	0	X	0	=	0

WORKING CAPITAL NEEDED FOR PROFORMA \$0

WORKING CAPITAL AVAILABLE ON PROFORMA \$0

Collateral (Enter value in only one column)	Book Value	To Be Acquired	ProForma Value	Market Value	Prior Liens	Est. Net Liquid.	Liquid %
Land & Building						0	80.00%
Machinery/Equipment						0	25.00%
Furniture/Fixtures						0	25.00%
Inventory						0	10.00%
Accounts Receivable						0	10.00%
Personal Real Estate						0	80.00%
Other						0	
TOTALS	0	0	0	0	0	0	

Collateral Adequacy: \_\_\_\_\_

Appraisal: \_\_\_\_\_

Environmental Audit: \_\_\_\_\_

Leased Property: \_\_\_\_\_

Term of lease(years): \_\_\_\_\_ Options: \_\_\_\_\_

Comments: \_\_\_\_\_

Disability Insurance: \_\_\_\_\_

Life Insurance: \_\_\_\_\_

Name of Insured: \_\_\_\_\_ Amount of Assignment \_\_\_\_\_

Name of Insured: \_\_\_\_\_ Amount of Assignment \_\_\_\_\_

Comments: \_\_\_\_\_

**Guarantors and/or Owners:**

Name: _____	Relationship: _____	SS#: _____	Phone: _____
Address: _____	City: _____	St: _____	Zip: _____
Outside Net Worth _____	Annual Income: _____	Debt: _____	D/I: #DIV/0!
	Annual Debt Payments _____		
Name: _____	Relationship: _____	SS#: _____	Phone: _____
Address: _____	City: _____	St: _____	Zip: _____
Outside Net Worth _____	Annual Income: _____	Debt: _____	D/I: #DIV/0!
	Annual Debt Payments _____		

**Availability of Funds from Personal Resources:****Utilization of Personal Resources:**

Liquid assets of \$\_\_\_.0M do not exceed the greater of \$100.0M or 2 times the loan amount (\$\_\_\_.0M) if loan amount is \$250.0M or less; \$500.0M or 1.5 times the loan amount if loan amount is between \$250.0M and \$500.0M; \$750.0M or one times the loan amount if loan amount exceeds \$500.0M; therefore, requirements of SOP 50-10, Subpart "A", Paragraph 4(a), have been met.

**Credit Weaknesses:****Credit Strengths:****Loan Officer's Recommendation:**

In addition, I believe the applicant to be of good character.

**Loan Officer's Signature:****Title:****Date:****FOR SBA ONLY**

The above report has been reviewed by a SBA Loan Officer with the following recommendations:

\_\_\_\_\_ Approved \_\_\_\_\_ Declined \_\_\_\_\_ Additional Comments

**Loan Officer's Signature:****Title:****Date:**

#### AFFILIATE SIZE STANDARD CALCULATIONS

COMPANY	YEAR	SALES	EMPLOYEES	SIC CODE
BORROWER				
AVERAGE		\$0	0	
AVERAGE		\$0	0	
AVERAGE		\$0	0	
AVERAGE		\$0	0	
AVERAGE		\$0	0	
AVERAGE		\$0	0	
AVERAGE		\$0	0	
TOTALS		\$0	0	

# CALCULATIONS OF EXCESS PERSONAL RESOURCES

1) PRINCIPAL NAME \_\_\_\_\_ LOAN AMOUNT \_\_\_\_\_

**LIQUID ASSETS:** (EXEMPTIONS - CLOSELY HELD NON-MARKETABLE STOCKS, INDIVIDUAL  
RETIREMENT ACCOUNTS AND SIMILAR ASSETS)

CASH \$ \_\_\_\_\_

CD'S \$ \_\_\_\_\_

SAVINGS \$ \_\_\_\_\_

MARKETABLE SECURITIES \$ \_\_\_\_\_

CASH SURRENDER VALUE OF LIFE INSURANCE \$ \_\_\_\_\_

**TOTAL LIQUID ASSETS** \$ 0.00

LOANS \$250,000 OR LESS: \$100,000 OR 2.0 TIMES THE  
LOAN AMOUNT, WHICHEVER IS GREATER \$ 100,000.00

LOANS >\$250,000 AND <\$500,000: \$500,000 OR 1.50 TIMES  
THE LOAN AMOUNT, WHICHEVER IS GREATER. \$ 500,000.00

LOANS >\$500,000: \$750,000 OR 1.0 TIMES THE  
LOAN AMOUNT, WHICHEVER IS GREATER \$ 750,000.00

**EXCESS LIQUID RESOURCES** 0.00